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IN REPLY REFER TO
EBUSOPSOFFINST 4200.2
June 18, 2004

DON eBUSINESS OPERATIONS OFFICE INSTRUCTION 4200.2

Subj: DEPARTMENT OF NAVY NONAPPROPRIATED FUND (NAF) POLICIES AND
PROCEDURES FOR THE OPERATION AND MANAGEMENT OF THE
GOVERNMENTWIDE COMMERCIAL PURCHASE CARD PROGRAM

Ref: (a) Marine Corps Community Services (MCCS) Internal
Operating Procedure (IOP)

(b) Navy Exchange Service Command (NEXCOM) Internal
Operating Procedure (IOP)

(c) Navy Morale, Welfare (MWR) and Recreation Internal
Operating Procedure (IOP)

(d) SECNAVINST 7043.5B, Nonappropriated Fund (NAF)
Procurement Policy

(e) DOD Directive 4105.67, Nonappropriated Fund (NAF)
Procurement Policy

(f) DOD Instruction 4105.71, Nonappropriated Fund (NAF)
Procurement Procedure

(g) Financial Management Regulation, Volume 13

(h) GSA Smart Pay Contract GS-23F-98006

(i) Purchase Card Program Re-engineering Implementation
Memorandum #6 of 20 JUL 98

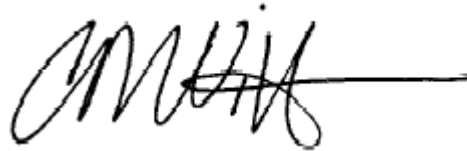
(j) USD(P&R) Memo, "Government Charge Card Disciplinary
Guide for Civilian Employees", 21 APR 03

(k) USD(P&R) Memo, "Disciplinary Guidelines for Misuse of
Government Charge Cards by Military Personnel", 10
JUN 03

- (l) Civilian Human Resources Manual Sub-Chapter 762
 - (m) DODIG Memo, "Guidance for the Investigation of Fraud, Waste, and Abuse Involving Use of Purchase and Travel Cards", 25 Sep 02
 - (n) ASD(3CI) Memo, "Suspension of Access to Classified Information Due to Abuse or Misuse of Government Charge Cards", 04 Nov 02
1. Purpose. To provide and establish nonappropriated fund (NAF) procurement policy for Department of the Navy (DON) nonappropriated fund instrumentalities (NAFIs) participating in the DON Governmentwide Commercial Purchase Card (GCPC) program, referred to as the Purchase Card. The DON Purchase Card Program Management Office (PCPMO) has taken an alternative approach to communicating Purchase Card program policy and procedures. In lieu of incorporating policy and operational procedures in one document, the program will provide two distinct documents. The EBUSOPSOFFINST 4200.2, along with the individual NAFI Headquarters IOPs, will encompass policy and the NAFI specific IOP will also contain procedural information on day-to-day operations. This instruction and all its components (i.e., IOPs, references (a), (b), and (c) have the force and effect of DoN regulations. This policy is supplemental to references (d) through (n).
 2. NAFI Headquarters IOP Approval. As such, each individual NAFI Headquarters IOP shall be approved in writing and retained on file by the DON PCPMO. Without such written approval from the DON PCPMO, that individual NAFI Headquarters shall be required to follow and adhere to the DON EBUSOPSOFF 4200.1 (series) Purchase Card Policy. In addition, changes may not be made to the individual Headquarters IOP without explicit approval by DON PCPMO.
 3. Scope. This instruction applies to DON NAFIs electing to use the DON GCPC. Purchase card procurements utilizing appropriated funds are bound by the latest revision in the EBUSOPSOFFINST 4200.1 (series).
 4. Background. The Purchase Card program was developed to provide a fast and convenient method to procure and/or pay for all requirements under the micro-purchase threshold. The individual NAF Headquarters IOPs, references (a), (b), and (c) will prescribe the applicable NAF thresholds. The program is

intended to provide DON civilian and military employees a convenient and commercially available method to make low-dollar value purchases.

5. Procedures. This instruction sets forth the DON NAF GCPC policy and procedures for the management of the Purchase Card program in accordance and as defined in references (a) through (n). This instruction is supplemented with the Navy Exchange Command IOP, the Navy Morale, Welfare, and Recreation IOP, and the Marine Corps Community Service IOP, hereafter referred to as NAF Headquarters IOPs, that do not conflict with the guidance provided.
6. Request for Changes, Waivers or Deviations. Suggested changes, request for waivers or deviations to this instruction should be sent to the DON eBusiness Operations Office, Code 00e, via the appropriate chain of command. The suggested change must include a statement of the problem, the recommended solution and any necessary discussion. This information should be self-sustaining. Additional supporting information may be provided as enclosures.

A handwritten signature in black ink, appearing to read 'C.M. VITT', with a long horizontal line extending to the right.

C.M. VITT
Captain, SC, USN
Acting Deputy Commander

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DON eBUSINESS OPERATIONS OFFICE INSTRUCTION 4200.2

The Department of Navy eBusiness Operations Office welcomes your comments and suggestions on the quality and usefulness of this document. Your input is an important part of the information used for revision.

- Did you find any errors?
- Is the information clearly presented?
- Do you need more information? If so, where?
- Are the examples correct? Do you need more examples?
- What features did you like most?

If you find any errors or have any other suggestions for improvement, please indicate the document title, chapter, section, and page number (if available). You can send comments to us in the following ways:

- Electronic mail: purchase_card@navsup.navy.mil
- FAX: 717.605.9362 Attn: Purchase Card
- Postal service:

Department of the Navy
eBusiness Operations Office
Card Management Group
5450 Carlisle Pike, P.O. Box 2050
Mechanicsburg, PA 17055-0791

If you would like a reply, please give your name, address, telephone number and electronic mail address.

EXECUTIVE SUMMARY

1. Overview.

The purpose of this section is to provide an overview of the NAF procurement policy using the Government Commercial Purchase Card, identify key players and their responsibilities in the program and set forth key management considerations for senior managers charged with executing this vital program. This instruction is supplemented with Headquarters NAF IOPs, references (a) through (c).

2. What is the Purchase Card Program?

a. Objectives.

The program is intended to streamline small purchase methods; minimize paperwork; reduce imprest fund/petty cash transactions; streamline payment processes; and simplify the administrative effort associated with purchase of supplies and services.

b. Goal.

The main goal of the Purchase Card program is to provide Department of Navy users a simplified, streamlined method of purchasing and paying for simple, low-dollar value, items of supply and service.

c. History.

The need for the Purchase Card program began with Executive Order 12352, "Procurement Reform", issued in 1982. After several interim programs, the DON issued a tailored Task Order, DON-9700-003, to Citibank on July 6, 1998 to provide worldwide purchase card services for the DON. The NAF Headquarters for Navy Exchange Command, Navy Morale, Welfare, and Recreation, and Marine Corps Community Service elected to participate in the DON Governmentwide Commercial Purchase Card program.

3. What is the Purchase Card Used For?

- a. The purchase card may be used to buy and/or pay for requirements for official government business valued at or below the micro-purchase threshold. NAFIs will use the purchase card for supplies and services procured with NAF when appropriate and cost effective. The individual Headquarters' NAF IOPs will prescribe the applicable NAF thresholds.

- b. The GPCP may be used as a method of payment as specified in the individual NAF Headquarters' IOPs.

4. What are the Benefits?

- a. Reduces administrative paperwork.
- b. Streamlines the certification and payment process.
- c. Enables vendor payment within 72 hours by Electronic Funds Transfer through a commercial bank.
- d. Eliminates or minimizes prompt payment interest through the use of the online certification (when implemented) and payment system.
- e. Provides rebates to the NAF HQ based on the dollar volume of use and timeliness of payment.

5. Key Personnel.

- a. Agency Program Coordinator (APC).

The APC is designated by the Head of Activity, or designee through an official letter of delegation and is the individual responsible for day-to-day program oversight. The APCs roles and responsibilities are delineated in Chapter 2.

- 1) Reporting requirements.

The APC is required to, at minimum, perform, oversee or manage monthly transactional purchase card reviews along with semi-annual reviews of touching every aspect of the program. The results of the semi-annual review shall be reported up to the DON Purchase Card Program Management Office.

- 2) Training.

APCs must receive initial training on purchase card policy as well as refresher training every two years. Chapter 3, paragraph 9 delineates specific training requirements. Documentation of training for all participants under their purview must be maintained for the duration the participant/employee serves in this capacity and for three years beyond.

b. Approving Official (AO).

1) The AO is the program's first line of defense against misuse, abuse and fraud. The AO is responsible for ensuring proper use of the purchase card through approval of purchases and certification of monthly invoices for payment for the cardholders within their purview. DOD policy requires that the AO to card account ratio be no more than 1:7. This ratio is consistent with commercial business practices and is intended to allow a reasonable span of control. A written request from the immediate supervisor nominates the AO. If your command wishes to exceed the DOD guideline of more than seven card accounts assigned to an AO, you will need to send the DON eBusiness office a notice in writing via the appropriate chain of command. This notice must include reasons as to why your command is requesting exception to the Navy standard.

2) Training.

The AO must receive initial training on purchase card policy and refresher training every two years. Chapter 3, paragraph 9 delineates specific training requirements. Training documentation needs to be retained for the duration the employee serves in this capacity and for three years beyond

c. Cardholder (CH).

The cardholder receives delegation of authority to purchase supplies and services from the Head of Activity (or designee). Cardholder designation represents confidence in the cardholder's integrity and is assigned according to mission requirements. As with APCs and AOs, cardholder training is critical. Initial training and biennial refresher training is required. Chapter 3, paragraph 9 delineates specific training requirements. All training documentation must be kept for the duration the employee serves in this capacity and for three years beyond.

d. Head of Activity(HA), or designee.

- 1) Is responsible for support/sponsorship to all participants in the Purchase Card program and periodically conducts Purchase Card program management reviews.
- 2) Ensures that appropriate administrative and disciplinary action is taken when fraudulent, improper, and/or abusive purchase card transactions are found.
- 3) Ensures that all program participants have received the required training.
- 4) The activities level V APCs immediate supervisor and/or general manager must receive initial training on purchase card policy and refresher training every two years. Chapter 3, paragraph 9 delineates specific training requirements. Training documentation needs to be retained for the duration the employee serves in this capacity and for three years beyond.

CHAPTER 1: GENERAL POLICIES AND PROCEDURES

1. Scope.

This chapter provides general policy and procedures for NAF activities participating in the Governmentwide Commercial Purchase Card program.

2. Background.

The GCPC can be used as either a procurement method or method of payment as specified in the individual IOPs.

Procurement method = cardholder performs task of ordering, obtaining and paying for supplies/services.

Method of payment = cardholder pays, via government purchase card, for supplies or services ordered and obtained via some other procurement contractual vehicle, or as described in the individual NAFI IOPs.

3. Policy.

The GCPC may be used to purchase supplies and services for official government business in accordance with references (a) through (n), Head of Contracting Activity instructions and NAF Headquarters' IOPs. The GCPC shall only be used for authorized U.S. Government purchases. Intentional use of the purchase card for other than official Government business will be considered an attempt to commit fraud against the U.S. Government and will result in immediate cancellation of an individual's purchase card and disciplinary action. In the absence of specific statutory authority purchase of items for the personal benefit of government employees represent improper transactions. The use of the GCPC for personal purchases for any reason is strictly prohibited.

The purchase card may be used for the micro-purchase requirements. The purchase card may be used to buy and/or pay for requirements valued at or below the micro-purchase threshold. The individual NAF HQ IOPs will prescribe the applicable NAF thresholds. In addition, cardholders must rotate micro-purchase requirements among qualified suppliers to the maximum extent practicable.

4. Prohibited Purchases.

Please note that the listing below is not all-inclusive and is general in nature. It is paramount that local IOPs are reviewed with regards to prohibited and special attention items. The local IOPs should be more detailed, with general rules along with any applicable exceptions or special guidance. The APCs, AOs and cardholders shall, to the maximum extent practicable, use their experience, business acumen, and common sense when determining if utilizing the GCPC is appropriate. Refer to your local IOPs when determining prohibited purchases.

- 1) Personal purchases;
- 2) Cash advances;
- 3) NAFI personnel Official Government Travel and travel related expenses (excluding conference rooms, meeting spaces and local transportation such as Metro fares, subway tokens, etc.); and
- 4) Long-term rental or lease of land or buildings

5. Noteworthy Exceptions and Issues of Concern.

a. Split Requirements/Purchases.

A split requirement is breaking requirements into several purchases that are less than the applicable threshold merely to circumvent purchase card or procurement competition thresholds. A split purchase is the intentional breaking down of a known requirement to stay within a threshold.

b. Cash Refunds.

Under no circumstances will the cardholder accept a cash refund for non-receipt of, returned or damaged items initially purchased using a government purchase card. The cardholder shall only accept credit to the account.

c. Gift Checks, Rebates or Incentives.

Under no circumstance will the cardholder retain gift checks, vendor rebates or other purchase incentives that can be converted to personal use. Follow applicable IOP guidance.

6. Purchase Card Issuance.

The following categories of personnel may be issued a purchase card or be appointed an approving official to accomplish official duties:

- a. Civilian Government employees;
- b. Members of the Armed Forces; and
- c. Foreign nationals (both direct and indirect hires) subject to operational control and day-to-day management and supervision by U.S. Civilian and Military personnel.

7. Financial Management Requirements.

The Department of Defense (DOD) Financial Management Regulation (FMR) provides overall financial management policy governing all financial transactions within the Department including GCPC transactions. The FMR volumes that are applicable to NAF are 1,2,4,6,8,10,13, and 15. The DOD FMR web site address is <http://www.dtic.mil/comptroller/fmr/>.

a. Funding requirements.

Reference the NAF Headquarters' IOPs.

b. Pay and Confirm Procedures.

DON activities operating a Purchase Card program shall institute pay and confirm procedures as part of their financial management program. Pay and confirm procedures are used in instances where cardholders have been billed and have not received the items ordered. The cardholder shall confirm with the vendor that the items ordered are in transit and reconcile the monthly statement in full anticipation that the supplies will be received within the next billing cycle. The cardholder shall track the transactions that have not been received and pay the invoice in full. If the supplies are not received within the next billing cycle, the cardholder will then dispute the item using established dispute procedures. In addition, pay and confirm procedures include damaged items received, which are still under warranty, where the contractor confirms he/she will replace, modify, or repair within the next billing cycle.

c. Disputes.

1) Disputable Charges.

Disputes involving the following items must be handled between the cardholder and the bank (with

notification to the APC): duplicate billing, non-receipt of merchandise, returned merchandise, canceled merchandise or services, invoice amount discrepancies and/or the transaction was paid by other means.

Prior to submitting a formal dispute form, the cardholder must initiate communication with the bank and notify the Agency Program Coordinator of the dispute.

Once a dispute has been filed, the bank will suspend the disputed charge from the outstanding balance due, issue a provisional credit and acknowledge initiation of the dispute to the cardholder. Based on the outcome of the dispute process, the charge will either be resolved in favor of the cardholder or the merchant. If the dispute is resolved in favor of the cardholder, the charge is removed from the account. If the dispute is resolved in favor of the merchant, a letter will be sent to the cardholder explaining the decision and the charge will appear in the balance due on the next invoice.

It is recommended that the cardholder try resolving the dispute with the vendor first, then, if appropriate, file a dispute if the credit is not received on the next billing cycle.

All dispute documentation should be retained by organization requirements as specified in the applicable IOP.

2) Non-disputable Charges.

- a. Charges on the cardholder statement that involve misuse or abuse by the cardholder are not disputable with the bank. If the transaction was processed in accordance with the controls established (i.e., within the purchase limits, not from a vendor with a blocked Merchant Category Code) then the bank has fulfilled its responsibilities under the contract and the government is obligated to make payment for the transaction. The government must seek restitution from the employee for any losses as a result of their improper transaction.
- b. Accordingly, transactions that are determined to be fraudulent (i.e., use of a lost or stolen card) or unauthorized by the cardholder shall not be certified for payment. A formal dispute will be initiated with the bank and the invoice shall be "short paid" by the amount of the transaction(s)

in question using the manual certification process.

- c. Convenience Check. Reference applicable IOPs for guidance. Individual convenience checks shall not be issued in excess of \$2,500.

CHAPTER 2: MANAGING COMMAND PURCHASE CARD PROGRAMS

1. Command Roles, Responsibility and Accountability.

This chapter provides guidance on the roles, responsibility and accountability of command personnel involved in the DON Purchase Card program. Every individual involved in the Purchase Card program is personally accountable for strict adherence to policies and procedures. Head of Activity or designee, Agency Program Coordinators (APC), Approving Officials (AO), and Purchase Cardholders (CH) each have specific responsibilities in the program.

2. Head of Activity (HA) Duties.

Head of Activities managing DON Purchase Card programs are responsible for the following program elements:

- a. Establish effective internal management controls to ensure appropriate management, operation, and oversight of the local Purchase Card program.
- b. Ensure appropriate resources are allocated to the program;
- c. Ensure the local program is being executed in accordance with NAF guidance;
- d. Ensure program personnel, APCs, AOs, and purchase cardholders are properly appointed and trained;
- e. Ensure that the number of AOs and purchase card accounts appointed within a command is the minimum number necessary to meet mission requirements;
- f. Follow local policies and procedures identifying informal and formal disciplinary action to be taken against APCs, AOs, and purchase cardholders for non-compliance, fraud, misuse and/or abuse. The range of disciplinary actions should be based on the severity and frequency of the infraction. Disciplinary action could range from informal actions, such as written or verbal counseling detailing the concern and directing corrective action and greater oversight, to account suspension or cancellation, to official letters of reprimand, to demotion, removal or potential criminal prosecution; and
- g. Establish and maintain a command climate to prevent requiring or requesting personnel from exercising undue influence over the actions of a purchase cardholder.

3. Agency Program Coordinators (APC) Duties.

- a. Establish and ensure execution of the local program in accordance with NAF policies and procedures;
- b. Ensure program personnel, APCs, AOs and purchase cardholders are properly appointed, trained, and are capable of performing their respective duties. In addition, no less than annually, ensure that only personnel who require purchase cards for mission requirements are issued purchase cards and have a continuing need for purchase cards;
- c. Ensure AO and purchase cardholder profiles are appropriate for local mission. Perform regularly scheduled maintenance, no less than quarterly, on command AO and purchase card accounts to ensure that the account profile information is current and accurate, to examine frequency of use and to ensure the AO/card account span of control remains within specified limits (no more than 7 card accounts to 1 AO);
- d. Ensure that appropriate action is taken when local reviews reveal non-compliance, misuse and/or abuse; and
- e. Utilize reports available through either the reporting option for CD type reports and/or the ad-hoc reporting tool within the bank system to proactively monitor the program.

4. Approving Official Duties (AO).

Approving Officials and Certifying Officials are synonymous in the DON Purchase Card program and for the purposes of this instruction will be referred to as Approving Officials (AOs). DON activities will nominate and appoint AOs as Certifying Officers. Certifying Officers are pecuniarily liable for payments they certify.

- a. Ensure that all purchases accomplished by the purchase cardholders within their cognizance are appropriate and the charges accurate;
- b. Verify supporting transaction documentation on all card accounts prior to certifying the monthly invoice;
- c. Notify the Head of Activity and Agency Program Coordinator in the event of any suspected unauthorized purchase (purchases that would indicate non-compliance, fraud, misuse and/or abuse);

- d. Ensure proper receipt and inspection is accomplished on all items being certified for payment. The AO shall verify the existence of proper receipt and signature.
- e. Certify the monthly invoice in accordance with applicable IOPs.

5. Purchase Cardholder Duties.

- a. Ensure proper & adequate funding is available prior to any purchase card action;
- b. Screen all requirements for their availability from the mandatory Government sources of supply;
- c. Purchase only mission essential requirements at fair and reasonable prices from responsible suppliers only if mandatory sources are unavailable;
- d. Maintain either a manual or automated purchase log that documents individual transactions and screening for mandatory sources of supply. The purchase card log and supporting documentation should provide at a minimum items 1-9 below that provides an audit trail supporting the decision to use the card and any required special approvals that were obtained:
 - 1) Date the item or service was ordered.
 - 2) The merchant name.
 - 3) The dollar amount of the transaction.
 - 4) A description of the item or service ordered.
 - 5) Date of receipt.
 - 6) Name of individual receiving item or service.
 - 7) Paid but not received (pay and confirm)
 - 8) Credit received
 - 9) Disputed
- e. Review the monthly purchase card statement to ensure that all charges are proper and accurate;
- f. Forward the monthly purchase card statement to the AO with the appropriate supporting documentation, (i.e., sales slips, documentation of receipt and acceptance, purchase log, etc.) in a timely manner to maximize rebates and minimize prompt payment penalties. Rebates may be earned from Citibank as part of the GSA SmartPay contract. These rebates are based on dollar value of the transactions made and the timeliness of invoice payments. Therefore, the efficient and timely processing of Purchase Card invoices maximizes the rebates earned and provides a direct and significant benefit to NAFIs;

- g. Follow the appropriate procedures for 'pay and confirm' and/or disputes; and
- h. Ensure a proper separation of function is occurring for each purchase card transaction.
- i. Act as an Accountable Official. The cardholder will be held pecuniarily liable, as an Accountable Official to the Government for the amount of any payment certified and paid based on false or negligent information provided to the Certifying Officer. Under 18 U.S.C. 287, misuse of the purchase card could result in a fine of not more than \$10,000 or imprisonment for not more than five years or both. Military members who misuse the purchase card are subject to court martial under 10 U.S.C. 932, UCMJ Art. 132.

CHAPTER 3: SETTING UP A PURCHASE CARD PROGRAM

1. Account Set Up Procedures.

This chapter provides procedures and guidance for DON activities for the set up and establishment of local Purchase Card programs.

2. Delegation of Contracting Authority.

Refer to NAF Headquarters' IOP.

3. Establishing Appropriate Authority.

It is the responsibility of the APC to ensure that each AO and cardholder has an appropriate grant of authority to satisfy mission requirements. In addition, to ensure proper spending limits are adhered to, APCs shall ensure that the purchase card account profile (in the bank's online card management system) do not exceed the limits in his/her delegation document.

a. Single Purchase Limit.

Each cardholder's delegation of authority document shall include limits commensurate with the expected purchasing or payment needs of the cardholder.

1) Purchase limits: For existing accounts, the APC should review the CH expenditures for the previous twelve months, select the highest single transaction and add 20%. For new accounts for which no spending patterns exist, the APC should conduct an anticipated spending pattern projection, and apply the guidelines above to the projection.

2) In the absence of any other information, a single purchase limit of \$500 is recommended. The single purchase limit should be reviewed and adjusted by the APC to ensure compliance with this instruction.

b. Billing Cycle Limit (30-Day Limit)

Each cardholder's account and delegation of authority shall include his/her billing cycle limit. The billing cycle limit may be assigned in increments of \$100 up to \$9,999,900. Cardholder billing cycle limits shall be reviewed by the APC, at a minimum, quarterly. For existing accounts, the APC should review the cardholder's expenditures for the previous twelve months, select the month with the highest expenditures and add 20%. For new accounts for which there is no spending history, the APC should conduct an anticipated spending pattern projection, and apply the guidelines above to the

projection. In the absence of any other information, a billing cycle limit of \$2,500 is recommended.

c. Transaction Type

The cardholder's delegation of authority shall identify the transaction types authorized (i.e., over-the-counter, telephone orders or via the Internet).

d. Merchant Category Code (MCC) Blocks

DON has blocked purchase card transactions for certain categories of merchants. APCs shall apply either the DON excluded merchants (NAVEXC) or the NAF excluded merchants (NAFIEXC) to cardholder profiles. APCs can further limit cardholder transactions by type of merchant by blocking MCCs for use by particular cardholder, or by all activity cardholders. The DON eBusiness Operations Office website contains a list of current DON-wide MCC blocks. (www.don-ebusiness.navsup.navy.mil)

4. APC File Maintenance and Retention.

The APC shall establish an individual file for each AO and cardholder. The file shall contain at a minimum the items listed below and shall be retained for the duration the employee serves in this capacity and for three years beyond.

a. Approving Official.

- 1) Written request from supervisor;
- 2) Initial and all refresher training documentation;
- 3) Copy of Initial and all subsequent letters of delegation; and
- 4) Account setup form.

b. Cardholder.

- 1) Written request from supervisor;
- 2) Initial and all refresher training documentation;
- 3) Copy of Initial and all subsequent letters of Delegation, including appointment as an accountable official letter; and
- 4) Account setup form if processed manually.

5. Developing Internal Operating Procedures (IOP).

Activities establishing local Purchase Card programs may supplement with internal operating procedures (IOP) to manage and operate the local Purchase Card program. Local internal

operating procedures, if established, shall be provided to all Purchase Card program personnel and cannot conflict with NAF Headquarters IOPs or this instruction.

6. Identifying Key Program Personnel.

Head of Activity, or designee should establish a process and criteria for designating personnel who will perform as APCs, AOs and purchase cardholders.

- a. As a minimum, the process shall require a written request from the prospective AOs or purchase cardholder's first line supervisor requesting that the APC establish an account for the designated individual.
- b. The written request shall include a statement that assigns the individual as an AO or purchase cardholder and is essential to meet mission requirements.
- c. The request for the purchase cardholder shall indicate the type and kinds of items that will normally be purchased, and the single and monthly credit limits.
- d. The request shall state that the prospective AO or purchase cardholder has the training, business acumen and judgment to act on behalf of the Government.

7. Establishing Internal Management Controls.

Head of Activity or designee and APCs shall establish internal management controls to operate, manage and provide oversight of the local program. At a minimum, the following controls shall be put in place to maintain the integrity of the program.

a. Separation of Duties.

Head of Activity or designee and APCs shall ensure that the roles and responsibilities of the individuals within their programs are not in conflict and adequate checks and balances are in place to manage local programs. Any deviation requires a written waiver from DON eBusiness Operations Office.

1) Agency Program Coordinator.

APCs shall not be approving officials or purchase cardholders. Waivers MAY be granted. To request a waiver that would allow an APC to be an approving official or cardholder, a formal request must be made. The request for a waiver must state the following:

1. Activity Name
2. Activity Hierarchy Number

3. Name of person who would be in the position of AO and APC
4. Size of program
 - a. Average monthly number of transactions
 - b. Number of cardholders
 - c. Rating and date of last external audit review of card program
5. Reason why AO needs to be the same person as the APC
6. Steps in place that will ensure independent review (monthly and semi-annually)
7. Length of time needed

The written request must go through the Level 3 APC for endorsement. The Level 3 APC shall forward the endorsement to the DON eBusiness Operations Office for review. Once reviewed by the DON eBusiness Operations Office, a written response stating approval/denial will be sent back to the Level 3 APC.

2) Approving Officials.

Individuals designated as Approving Officials (AOs) shall not be assigned as purchase cardholders. If personnel considerations require an AO to be a purchase cardholder, under no circumstances shall any purchase cardholder be his/her own approving official. In addition, AOs should be, to the greatest extent possible, the supervisor of the cardholder or be in the direct line of authority of their purchase cardholder, but not supervisor of their APC.

3) Purchase Cardholder.

Purchase cardholders shall not be subjected to undue influence over their actions as a cardholder by APCs, AOs or others within the command.

b. Separation of Function.

In order to protect the integrity of the procurement process there must be, at a minimum, a two-way separation of functions for all purchase card transactions. This is defined as one person making the purchase with the purchase card and a separate person receiving, inspecting and accepting the purchase.

- 1) In cases where the cardholder is picking up the material at the vendor's location, the end user or other designated receiving personnel shall legibly print their name and title, then sign and date the

receipt confirming independent receipt and acceptance of the material or services.

- 2) In the event the purchase cardholder is the end user, the purchase cardholder may sign the vendor receipt. However, the purchase cardholder shall ensure another Government employee within the command co-signs, along with their printed name and title, and dates the receipt.

c. Span of Control.

- 1) APC to card accounts. Local Purchase Card programs shall be set-up to ensure that the ratio of level V APC to purchase card accounts does not exceed 1:300. APCs have significant responsibilities and must have reasonable spans of control to accomplish their administrative, management and oversight responsibilities.
- 2) AO to card accounts. Local Purchase Card programs shall be set-up to ensure that the ratio of AOs to purchase card accounts does not exceed 1:7. In addition, consideration should be given to the number of transactions per cardholder an AO is required to review. The APC should evaluate the timeliness and effectiveness of the AOs invoice review and certification process to ensure that the number of transactions for all card accounts allows the AO to complete a thorough review. If your command wishes to exceed the DOD guideline of more than seven card accounts assigned to an AO, you will need to send the DON eBusiness office a request in writing via the appropriate chain of command. This request must include reasons as to why your command is requesting exception to the Navy standard.

9. Training Requirements.

- a. Prior to designation as a program participant via a letter of delegation, certificate of appointment, contracting officers warrant or an equivalent document, all prospective APCs, AOs and cardholders shall successfully complete mandatory training in DOD policies and procedures, DON NAF policies and procedures, as well as local internal operating procedures. The initial training requirements mandate that potential program participants take the appropriate role based DON eBusiness Computer Based Training (CBT) and the Defense Acquisition University (DAU) Computer Learning Center (CLC) DOD Government Purchase Card Tutorial, or other

training in lieu thereof, approved in writing by DOD PCPMO.

- b. Refresher training on current DON NAF policies and procedures and local internal operating procedures is required at least every two years. All cardholders, AOs and APCs shall take the appropriate role based DON NAF eBusiness CBT.
- c. The annual ethics training requirements for all Government employees is found in the Joint Ethics Regulations, DOD 5500 7-R, as well as 5 CFR 2638.705. Cardholders who purchase in excess of \$100,000 per fiscal year must complete form OGE 450 and, therefore, are required to complete local annual ethics training. AOs who certify in excess of \$100,000 of purchases per fiscal year must also complete form OGE 450 and complete local annual ethics training. Cardholders and AOs who do not exceed these respective \$100,000 per fiscal year thresholds may still be required to complete form OGE 450 and complete local annual ethics training if required by their supervisor when, in the supervisor's judgment, the cardholder or AO otherwise has duties involving the exercise of significant independent judgment over matters that will have a substantial impact on the integrity of DoN operations or relationships with non-Federal entities, or to avoid actual or apparent conflicts of interest. All ethics questions, including those pertaining to training, should be directed to the Department of Navy Office of General Counsel.
- d. Certificates are required by prospective program participants and active program participants as an indication of successful training completion for all pertinent training requirements.

10. Setting up AO/Cardholder Accounts with the Bank.

To set-up an account with the bank, the APC must complete the account set-up forms on-line or via hard copy. The APC must include the account hierarchy, the default line of accounting and the credit limits. Prior to setting up an AO account or a purchase cardholder account, the APC should verify that required training and the purchase cardholder has been properly designated.

11. Closing Cardholder Accounts.

- a. The APC shall ensure, to the maximum extent practicable, that the cardholder account is suspended at least 30 days (one billing cycle) prior to the projected date of any transfer, retirement or termination.

- 1) Once the AO has verified that all transactions and payments have cleared the account, the APC will close the account. Under no circumstances shall an account remain open past the official detachment date of the cardholder.
 - 2) At least quarterly, the APC should compare their entire cardholder listing against the command's official personnel roster and close any cardholder accounts not verified by their personnel office. Components shall take the necessary steps to ensure APCs are notified of personnel changes that would warrant cancellation of charge card authorization.
 - 3) At least quarterly, the APC should review AO accounts. AO accounts shall be closed after all CH accounts under the purview of that particular AO have been closed.
 - 5) Ensure that the command's checkout process includes a requirement to notify the APC of detaching account holders before detachment.
- b. Inactive Accounts. The APC shall ensure that any cardholder account that has not been used in the previous six months or is being used on average less than 3 times in 6 months is closed unless the supervisor submits an acceptable justification to the APC.
- 1) Account activity will be reviewed as part of the semi-annual review process.
 - 2) Once the AO has verified that all transactions and payments have cleared the account, the APC will close the account.

12. Lost or Stolen Cards.

If a purchase card is lost or stolen, the cardholder will notify the bank immediately. In addition, the cardholder will notify the AO and APC as soon as possible, in writing. The notification shall include the following information:

- a. The card account number;
- b. The cardholder's complete name;
- c. The date and location loss became evident;
- d. Date and time the bank was notified as well as date and time reported to the police;

- e. Purchases made on the card since it was discovered lost or stolen; and
- f. Any other pertinent information.

CHAPTER 4: PURCHASE CARD PROGRAM REVIEW

This chapter identifies the recommended internal controls and the required external reporting requirements for managing the Purchase Card program.

Internal reviews.

1. APC Reviews.

a. Monthly Level V APC Reviews.

The activity level V APC shall conduct or oversee/manage the monthly transactional reviews. The review shall include all of the purchase card transactions within the previous month for all card accounts under the APCs cognizance. Results should be reported to the Commanding Officer and Level III APC. The review shall target the following critical elements:

- 1) Suspicious vendors;
- 2) Split purchases;
- 3) Equitable distribution of business;
- 4) Exceeding the micro-purchase threshold (except for outside of the United States locations having \$25,000 per transaction authority);
- 5) Suspected fraudulent transactions;
- 6) Proper separation of function being performed; and
- 7) Verification that the AO has reviewed the CH purchases.

This process, at a minimum, should consist of running the all transaction report in the bank's ad hoc reporting. The Level V APC should review the transaction report and further review transactions that are targeted by numbers 1-7 above. This may include reviews of the following:

- a. Cardholder log,
- b. Merchant invoices,
- c. Delegation letter,
- d. Integrity of purchase request,
- e. Receipt, inspection and acceptance procedure

b. Semi-annual Level V APC Reviews.

Semi-annual reviews shall consist of an evaluation of local operating procedures, internal management controls and a transactional review. A copy of the report shall be provided to the activity commanding officer and Level III APC. The APC shall report to the commanding officer on all actions taken on all deficiencies noted in the semi-annual review. The reporting periods for the semi-annual reviews shall encompass the billing cycles of March 22 - September 21 and September 22 - March 21. The following areas must be covered in any Purchase Card Program Review:

- 1) Review of internal operating procedures to ensure compliance with current DOD/DON regulations and directives;
- 2) Program compliance with applicable training requirements;
- 3) Appropriate delegations of authority;
- 4) Integrity of purchase request process;
- 5) Compliance with micro-purchase procedures;
- 6) Receipt, inspection and acceptance procedures;
- 7) Invoice certification process;
- 8) Internal procedures to resolve disputes and monitor command delinquencies;
- 9) Use of the purchase card as a payment method;
- 10) Span of Control (Card accounts to AO and card accounts to APC);
- 11) Delinquencies;
- 12) Account spending limits;
- 13) Questionable transactions delineated below:
 - a. Purchases not required to fulfill minimum, immediate need to support DON mission;
 - b. Purchases not for Government use, but for personal use;
 - c. Purchases that exceeded authorized limits;
 - d. Requirements that were split to circumvent the micro-purchase threshold;
 - e. Purchases that were prohibited items;

- f. Purchases from vendor's that appear questionable in terms of mission requirements;
- g. Screening for mandatory sources; and
- h. Equitable distribution of business.

As required by Chapter 5 of this instruction, the Head of the Activity shall formalize local policies and procedures identifying the formal and informal disciplinary actions and/or corrective measures that will be levied by the Command as a result of reviews revealing non-compliance with policies or procedures, fraud, misuse and/or abuse by program participants, i.e. APCs, AOs, purchase cardholders, including supervisors/managers. All disciplinary actions taken or corrective measures implemented shall be documented regardless of the method (i.e. copies of e-mails identifying concerns/issues, suspension of accounts, special retraining efforts, etc.

All Level V APCs should complete the semi-annual review in a timely manner and return responses to the claimancy Level III APC for consolidation. The Level III APC will report one response for the claimant to the DON eBusiness Operations Office no later than April 30 or October 31 depending on the reporting period.

2. Semi-annual HQ NAF Reporting.

Each NAF Headquarters shall report the information provided in paragraph (a) below semi-annually to DON EBUSOPSOFF by 30 April and 31 October of each year. The reporting period for the semi-annual review due 31 October of each year shall encompass the billing cycles of March 22 - September 21. The reporting period for the semi-annual review due 30 April of each year shall encompass the billing cycles of September 22 - March 21. Level III APCs shall compile this report from the Level V APC monthly semi-annual review results established in paragraph 1 of this chapter.

HQ NAF Reporting Elements.

- 1) Total number of Agency Program Coordinators (APCs);
- 2) Total number of Approving Officials (AOs);
- 3) Total number of purchase card accounts;
- 4) Total number of purchase cardholders (CHs);
- 5) Number of Level V Agency Program Coordinators (APC) who exceed the ratio of 300 card accounts to one APC;
- 6) Average claimancy ratio of purchase card accounts to approving officials (AOs);

- 7) Number of approving official (AO) accounts above the 7:1 ratio (Provide activity name, ratio and corrective action or verification of waiver);
- 8) Number of cardholders, approving officials, APCs and Heads of activity with documented evidence of mandatory training (if not 100% of program personnel, provide explanation);
- 9) Questionable transactions;
 - a. Purchases not required to fulfill minimum, immediate need to support DON mission;
 - b. Purchases not for Government use, but for personal use;
 - c. Purchases that exceeded authorized limits;
 - d. Requirements that were split to circumvent the micro-purchase threshold; and
 - e. Purchases that were prohibited items.

With each transaction reported (a - e above) include the following:

- Item purchased
- Dollar value of the transaction
- How transaction was discovered
- Listing of all disciplinary/administrative actions taken (include dates).
- Include name of activity and the hierarchy number and
- The date of the transaction

- 10) Special Emergency Procurement Authority
- 11) Weaknesses in Internal Management Controls (description of weak areas and activity name).
- 12) Follow up on last semi-annual review
- 13) Activity commanding officer review
- 14) Internal Operating Procedure

The template for the NAF HQ (also known as Level III APC reporting template) reporting template submission is posted on the DON eBusiness Operations Office website. In addition there is a step by step instructional guide as to how to complete the form available, also posted on the website.

3. Delinquency Standards and Policies.

- a. The DON standard for delinquencies stipulates that activities may not have more than 2.00 percent of their total receivables with the bank over 30 days past due. DOD policy requires the issuing bank to suspend any billing account that goes over 60 days delinquent.
- b. All accounts under a billing account (Level 6, Approving Official) will be suspended should the billing account exceed 60 days past due, regardless of amount.
 - 1) Before initiating suspension procedures, the bank is required to contact and notify the APC and designated billing office on two separate occasions.
 - 2) When an account reaches 45 days past due, the bank will request payment for the undisputed principal amount in writing or by documented telephone call to the APC and designated billing office. The bank will also provide a pre-suspension/pre-cancellation report that identifies the undisputed amount that is overdue.
 - 3) If payment for the undisputed principal has not been received 55 days past due, the bank will notify the APC and designated billing office electronically or in writing that suspension will take place if the payment is not received by the 5th calendar day after notification. The bank will also provide a point of contact at the bank to assist in resolving the past due account.
 - 4) If payment for the undisputed principal has not been received 60 days past due, the bank will suspend the account. The suspension will automatically be lifted once the undisputed principal amount has been paid.
 - 5) Requests for suspension exemptions for billing officials with operational emergencies may be granted on a case-by-case basis. Exemption requests must be submitted in writing from the Level III (major claimant level) APC to DON EBUSOPSOFF (Code 00E). Exemption requests must include a statement describing what actions will be taken to resolve account delinquencies.
- c. Billing accounts that exceed 180 days past due will result in the entire activity (Level V APC) being suspended.

4. Fraud Indicators.

COs, Directors or activity heads should ensure that fraud awareness is part of local training for APCs, AOs and purchase cardholders. HCA, Fleet, or other DON inspection organizations should be aware of certain fraud indicators, identified below, when reviewing Purchase Card programs. In addition, Level V APCs must report via the APC hierarchy chain of command to the DON EBUSOPSOFF any instances where the review of a questionable item is reported to the DOD IG or NCIS for further investigation.

a. Documentation.

- 1) Photocopies instead of original documents.
- 2) Missing documentation (requisition to support purchases, required approvals, etc.).
- 3) Obvious changes or whiting-out of information.
- 4) Information that is backdated.

b. Repetitive Purchases.

- 1) Splitting requirements to avoid certain requirements or restrictions, i.e. micro-purchase threshold.
- 2) Not equitably distributing business among suppliers could indicate favoritism.

c. Purchases to Vendors That Do Not Appear Mission Related. Suspicious Merchant Category Codes (MCC).

d. Services.

- 1) Performance that appears out of the scope of work that was originally agreed upon. (Actual performance does not match contractual statement of work.)
- 2) Overruns and variances. (Approvals are not documented, explanatory justifications missing, etc.)
- 3) Contractor estimate equal to Government estimate. (Personnel releasing advance information to contractor).

e. Purchases of high value items at low prices or low value items at high prices.

f. Returns/Credits.

- 1) Did the Government receive the full credit for the item purchased?
- 2) Is there a pattern of errors in billings, returns or credits?

g. Disputes.

Frequent or repetitive disputes by a single cardholder.

h. Lost or Stolen Cards.

Frequent or repetitive reports of lost or stolen cards by a single cardholder.

CHAPTER 5: DISCIPLINARY GUIDELINES

GCPC misuse, abuse, and payment delinquency will not be tolerated. The GCPC card is for official government business in accordance with references (a) through (n), Head of Contracting Authority instructions and local internal instructions, and for no other purpose. It is the Department of the Navy's policy that improper, fraudulent, abusive, or negligent use of a government purchase card is prohibited.

1. Policy.

Per references (j) and (k), it is DOD policy that in each case of improper, fraudulent, abusive, or negligent use of the GCPC by civilian personnel or military personnel, including any use at establishments or for purposes that are inconsistent with the official business of DoN or with applicable regulations, the supervisor of the responsible individual or parties will be informed in a timely manner in order that appropriate corrective, disciplinary or adverse action may be taken. Supervisors who receive information indicating that a civilian or military employee has engaged in any fraud, misuse or abuse of a GCPC, shall take appropriate corrective or disciplinary/adverse action, including further investigation if needed.

The intent of this policy is to ensure that management emphasis is given to the important issue of personal accountability for GCPC fraud, misuse and abuse. There is no intent to deprive managers and supervisors of their discretion in handling GCPC misuse in a manner appropriate to each individual case. The circumstances of each individual case will determine the appropriate type of disciplinary/adverse action, if any, that may be imposed. A progression of increasingly severe penalties is often appropriate in the case of minor instances of misuse, but more serious cases may warrant the most severe penalty for the first offense if abuse or fraudulent activity is prevalent. Clearly there is no single response appropriate for all cases. While the merits of each case may vary, timeliness, proportionality, and the exercise of good judgment and common sense are always important. Where applicable, full consideration must be given to the relevant "Douglas Factors" as provided in Douglas v. Veteran's Administration, 5 MSPB 313 (1981).

2. Guidance.

a. Civilian Personnel.

Civilian personnel penalty guidelines shall address offenses with respect to government purchase cards and shall indicate that the penalty of removal from government service is an available maximum option for a first offense in appropriate cases, as determined by the deciding official. See table (1) for a sample of potential purchase card offenses and recommended remedies or penalties for such offenses. In taking corrective or disciplinary action against civilian personnel, supervisors shall use reference (m) as authoritative guidance. Purchase card offense(s) may be framed in any lawful manner. The servicing Human Resources Office should assist the supervisor in taking disciplinary/adverse action on the selection of the charge and appropriate penalty based on the DON's past practice, regulatory guidance, applicable case law and good judgment of the supervisor taking the disciplinary or adverse action. Coordination with the appropriate legal office should occur early in the process, as required by DON policy.

Table 1:

The chart below is one example of a Purchase card offense and recommended remedies or penalties for such offenses.

Supervisors must ensure that the disciplinary policies are consistent with Chapter 5 of this instruction.

OFFENSES	FIRST OFFENSE	SECOND OFFENSE	THIRD OFFENSE
Unauthorized use of or failure to appropriately monitor use of Government Commercial Purchase Card	Letter of Counseling to removal	14-day suspension to removal	30-day suspension to removal

b. Military Personnel.

Military personnel who misuse, abuse or commit fraud with the purchase card shall be subject to actions available under reference (k), including counseling, admonishment, reprimand, nonjudicial punishment (Article 15, Uniform Code of Military Justice (UCMJ)), court-martial and administrative separation. In appropriate cases, pecuniary liability, referral for criminal prosecution in civilian courts, and civil enforcement action are other ways to hold military personnel personally accountable for charge card misuse.

In taking corrective or disciplinary action against military personnel who misuse or abuse the government purchase cards, commanders or supervisors shall use the procedures established for each action by the appropriate Military Department and consult with their legal advisors as necessary. In addition to corrective or disciplinary action, military personnel who misuse their government purchase card may have their access to classified information modified or revoked if warranted in the interest of national security. Commanders and supervisors shall follow previously issued guidance to ensure that security clearance reviews are conducted when the holder of a government purchase card comes under investigation for card misuse.

c. Head of Activity

Head of Activity or designee shall include the Purchase Card program in their management control program checklists, and ensure that suspected misuse and abuse of the GCPC is appropriately investigated.

d. Agency Program Coordinators (APC).

APCs shall monitor to identify potential purchase card misuse, abuse or potential fraud and shall notify the employee's supervisors immediately in those instances of suspected misuse, abuse or potential fraud. Level V APCs shall also notify their HQ NAF APC in cases of suspected misuse, abuse or potential fraud and report all instances on the semi-annual review.

e. Approving Officials (AO).

The AO is the program's first line of defense against misuse, abuse and fraud. They are responsible for ensuring that all purchases made by cardholders within

their purview are appropriate, bona-fide and that the charges are accurate. Upon discovery of any improprieties, the AO must notify the Head of Activity or designee, and APC.

3. Relationship to Security Clearances.

The review of the security clearance of the individual involved (or the modification or revocation of such security clearances in light of this review), in GCPC misuse, abuse or fraud cases, is not a disciplinary action and should not be treated as such. However, this does not preclude a separate and independent review of such misuse, abuse or fraud by the appropriate security managers in accordance with references (m) and (n). Modification or revocation of a security clearance will result in appropriate action, which could include reassignment or removal.

CHAPTER 6: EXCEPTIONAL AND SPECIAL ATTENTION CONTRACTING AND PAYMENT METHODS

Use of the NAF GCPC is governed by the NAFI HQ IOP. Below is a list of exceptional and/or special attention items.

See HQ NAF activities IOPs for specific guidance of the purchase card as it relates to these specific areas.

1. Ordering Javits-Wagner-O'Day/Federal Prison Industries (JWOD/FPI) Products from Servmart.
2. Use of the Purchase Cards Outside the United States.
3. Gasoline or Oil for DON NAFI-owned Vessels.
4. Hazardous Materials (HAZMAT).
5. Pesticides.
6. Un-priced Services.
8. Utility Bills.
9. Letters of Agreement (LOA).
10. Convenience Checks.